

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Developing a Unified Intercarrier)	CC Docket No. 01-92
Compensation Regime)	
)	

**COMMENTS
of the
SMALL COMPANY COMMITTEE OF THE LOUISIANA
TELECOMMUNICATIONS ASSOCIATION**

Louisiana Rural Telephone Companies

**Cameron Telephone Company, LLC
Campti-Pleasant Hill Telephone Co., Inc.
CenturyTel of Chatham, LLC
CenturyTel of Central Louisiana, LLC
CenturyTel of East Louisiana, LLC
CenturyTel of Evangeline, LLC
CenturyTel of North Louisiana, LLC
CenturyTel of Northwest Louisiana, Inc.
CenturyTel of Ringgold, LLC
CenturyTel of Southeast Louisiana, Inc.
CenturyTel of Southwest Louisiana, LLC
Delcambre Telephone Co., Inc.
East Ascension Telephone Co., LLC
Elizabeth Telephone Company, LLC
Kaplan Telephone Co., Inc.
Lafourche Telephone Co., LLC
Northeast Louisiana Telephone Co., Inc.
Reserve Telephone Co., Inc.
Star Telephone Co., Inc.**

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October 25, 2006

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The Small Company Committee of the Louisiana Telecommunications Association (the "SCC") hereby submits these comments on the intercarrier compensation reform plan filed by the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation, referred to herein as the "Missoula Plan."¹ The SCC of the Louisiana Telecommunications Association is comprised of the Rural Telephone Companies (47 U.S.C. §153(37)) providing service in the rural areas of Louisiana.²

I. INTRODUCTION

The SCC cautions the Commission to reform intercarrier compensation in a rational manner that puts consumers first and is based on a clear set of policy objectives. An essential part of that objective is enabling network providers to meet consumers'

¹ See Public Notice, *Comment Sought on Missoula Intercarrier Compensation Reform Plan*, DA 06-1510, CC Docket No. 01-92 (rel. July 25, 2006).

² The SCC is comprised of the following Louisiana rural telephone companies: Cameron Telephone Company, LLC, Campti-Pleasant Hill Telephone Co., Inc., CenturyTel of Chatham, LLC, CenturyTel of Central Louisiana, LLC, CenturyTel of East Louisiana, LLC, CenturyTel of Evangeline, LLC, CenturyTel of North Louisiana, LLC, CenturyTel of Northwest Louisiana, Inc., CenturyTel of Ringgold, LLC, CenturyTel of Southeast Louisiana, Inc., CenturyTel of Southwest Louisiana, LLC, Delcambre Telephone Co., Inc., East Ascension Telephone Co., LLC, Elizabeth Telephone Company, LLC, Kaplan Telephone Co., Inc., Lafourche Telephone Co., LLC, Northeast Louisiana Telephone Co., Inc., Reserve Telephone Co., Inc., and Star Telephone Co., Inc.

changing needs and the growing demands they place on telecommunications networks, without widening the divide between the telecommunications “haves” and “have nots.” Only reforms that provide incentives for network investment while keeping end-user rates affordable will help achieve this fundamental goal.

Furthermore, any reform plan that undermines the ongoing viability of the universal service program should not be embraced. Any perceived benefits of reform will be quickly forgotten if consumers and policymakers are forced to reconcile the impacts of the plan with degradation in service quality, reliability, availability, or affordability.

II. REFORMS MUST PROTECT CONSUMERS AND NOT JEOPARDIZE UNIVERSAL SERVICE

The Commission and the industry have devoted considerable resources to examining various reforms of the intercarrier compensation system. The greatest challenge in this endeavor appears to be identifying changes that will benefit consumers. This priority reflects the central mandate of the Telecommunications Act of 1996, that the Commission promote the universal availability of advanced telecommunications capability to all Americans.³ That directive requires the Commission to ensure that end-user rates are affordable, but there is more to the Commission’s mission. A truly consumer-oriented reform plan must also ensure that network providers—particularly those with carrier-of-last-resort responsibilities—retain the incentive and ability to invest in and upgrade their facilities in response to consumers’ growing demands and evolving needs.

³ See 47 U.S.C. §§ 151, 157, 254.

The rural telephone company members of the SCC provide a wide array of high quality communications services to rural consumers in Louisiana. The SCC members have deployed their networks to ensure that service is available to all known inhabited rural residences in some of Louisiana's most remote and difficult to serve areas. Thus, any intercarrier compensation reform plan adopted by the Commission must not compromise the SCC members' ability to continue to deploy the capital necessary to offer advanced telecommunications and information services.

The growing demand for advanced services already is straining existing networks, particularly in rural areas. Even as more customers gain access to DSL, cable, satellite and wireless alternatives, a wide variety of providers and technologies remain dependent on the public switched network provided by the ILEC, especially in rural markets.

Consumers seek diverse bundles of advanced services at competitive prices. The reforms undertaken in this proceeding are likely to stimulate even more network usage by forcing providers into a flatter (less usage sensitive) pricing structure. Such change only makes sense if the underlying networks are capable of supporting these increased demands and consumers can bear the rate increases that will make them possible.

In addition, any reform plan must ensure against residential and small business rate shock, especially in rural and other high-cost areas. In general, reductions in intercarrier payments will be made up under the Missoula Plan through a combination of direct subscriber line charge (SLC) increases and increased support from the universal service fund or a similar mechanism, which indirectly would be funded by end users.

Any reform plan adopted by the Commission must ensure that it reflects a balance of consumer interests. No intercarrier compensation reform plan should

disproportionately burden the residential and small business customers served by rural carriers such as the SCC members.

III. COMMENDABLE GOALS OF REFORM AND PHANTOM TRAFFIC

The Missoula Plan reflects a determined attempt to resolve all outstanding intercarrier compensation questions in a manner that accounts for all types of carriers and traffic in one sweeping reform initiative. This broad goal is commendable.

The Missoula Plan also recognizes the need to alleviate the problem of “phantom traffic” and sets forth rules for doing so that generally reflect industry-wide compromise.⁴ In addition, the Missoula Plan retains distinctions between rural and non-rural carriers, and includes provisions that are intended to ensure financial support for rural areas.⁵ The Missoula Plan also acknowledges important principles such as the difficulty of pursuing regulatory reform without state conformity.⁶ The SCC supports these principles and goals.

The problem of “phantom traffic” - traffic which lacks complete or correct identification and thus cannot be properly billed - must be solved before any comprehensive intercarrier compensation reform regime can work. The phantom traffic proposal set forth in the Missoula Plan largely reflects an industry consensus.⁷ That proposal calls for the immediate release of rules requiring that originating service providers deliver accurate calling party number and signaling information to intermediate and terminating providers, that intermediate providers transmit the information they receive, and that all carriers with a role in completing a call cooperate in resolving

⁴ See, e.g., Missoula Plan Executive Summary at 9 – 10.

⁵ See, e.g., Missoula Plan Executive Summary at 12 – 13.

⁶ See, e.g., Missoula Plan Executive Summary at 2, 12 note 9.

⁷ See Missoula Plan Executive Summary at 9-10.

disputes about this information. Industry standards-setting bodies could then continue to work toward the standardization of call tracking and billing records, and address new network uses.

By adopting phantom traffic rules, the Commission can obtain a more accurate assessment of the amount of intercarrier traffic going over networks today. Phantom traffic has a two-pronged financial impact on facilities-based carriers: they are denied intercarrier compensation payments by carriers that “free ride” on their networks; and, they are forced to incur additional costs associated with policing traffic and making necessary investments to avoid network congestion. Correcting this problem now will not only ease these burdens and ensure that originators of traffic pay for their use of the networks, but will also provide valuable assurance of the Commission’s commitment to enforcing its rules, further encouraging industry acceptance of changes to cost-recovery mechanisms. Moreover, addressing this issue as early as possible will ensure that *all* traffic passing over telecommunications networks today is being captured, allowing the Commission to assess as accurately as possible the impact of subsequent rate reform.

IV. THE RESTRUCTURE MECHANISM IS AN ACCESS ELEMENT UNDER SECTIONS 201 AND 205 OF THE ACT.

The SCC believes that the Restructure Mechanism contained in the Missoula Plan constitutes an access element under Section 201 of the Communications Act, and not a universal service element under Section 254. The existing access charge structure is an integral part of the rate design utilized to recover revenues for interconnection in both the federal and State jurisdictions. Therefore, the Restructure Mechanism should be considered an access charge element under Sections 201 and 205 of the Act.

Section 201 of the Act provides the Commission with the power “to establish physical connections with other carriers, to establish through routes and charges applicable thereto and the divisions of such charges, and to establish and provide facilities and regulations for operating such through routes.” 47 U.S.C. § 201(a). Pursuant to Section 205, the Commission has the authority “to determine and prescribe what will be the just and reasonable charge” for the interconnection services it requires pursuant to Section 201. 47 U.S.C. § 205(a).

The Commission’s interconnection policies have recognized that connectivity to the nationwide switched telephone network benefits all who can reach and be reached. This principle provides the foundation of the existing and prior intercarrier compensation structures that have recognized the need for rate structures that foster the provision of universal and advanced services in rural areas.

The application of this principle in the context of the establishment of interconnection charges pursuant to Sections 201 and 205 of the Act resulted in the establishment of pooled access and end-user charges utilized to collect revenues for interconnection to all carriers. *See, e.g., Third Report and Order, MTS and WATS Market Structure*, 93 F.C.C.2d 241, ¶¶ 42 *et seq.* (1983) (“*Third Report and Order*”).

Like the initial pooled access and end-user charges, the Restructure Mechanism may be established as an access element pursuant to the Commission’s authority under Sections 201 and 205 of the Act, and would be consistent with the Commission’s long-established policy regarding interconnection rate design. The revenues collected from the assessment of the charge may be collected and distributed as recommended by the Missoula Plan pursuant to the Commission’s authority under Sections 201 and 205 of the

Act, and consistent with the manner in which the Commission has previously required the collection and distribution of charges through the National Exchange Carriers Association.

Under a Restructure Mechanism established pursuant to Sections 201 and 205 of the Act, the Commission may establish a rule under Part 69 of its regulations that would prescribe the assessment, collection, and distribution of the Restructure Mechanism consistent with the Missoula Plan. The Commission could then, in accordance with its authority under Sections 201 and 205 of the Act, require distribution of the revenues to exchange carriers to offset reductions to existing access rates, consistent with both the distribution mechanism and the authority pursuant to which the Commission has previously required the administration of pooled access charge revenues. Accordingly, the receipt of revenues from the Restructure Mechanism would not be universal service funding.

In addition, any Restructure Mechanism implemented by the Commission under Sections 201 and 205 of the Act should be accomplished through a collaborative process between federal and State regulators. With the agreement of a State regulatory authority to expeditiously establish intrastate access rates in a manner consistent with that set forth in the Missoula Plan, the Restructure Mechanism will provide carriers with a source of interstate revenues designed to offset reductions in intrastate access rates. The implementation of the Missoula Plan in this manner maintains the rights and responsibilities of State regulators, and does not impede their ability to oversee the rates and quality of intrastate services provided to consumers.

V. CONCLUSION

The SCC cautions the Commission to reform intercarrier compensation in a rational manner that puts consumers first and is based on a clear set of policy objectives. Furthermore, any reform plan that undermines the ongoing viability of the universal service program should not be embraced. Any perceived benefits of reform will be quickly forgotten if consumers and policymakers are forced to reconcile the impacts of the plan with degradation in service quality, reliability, availability, or affordability.

Respectfully submitted,

**THE SMALL COMPANY COMMITTEE OF
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